

EARLE L. MCCORMICK, District 14, Chair  
 PAUL T. DAVIS, SR., District 4  
 NATHAN L. LIBBY, District 21

Portland

JULIE S. JONES, Legislative Analyst  
 SUZANNE VOYNIK, Fiscal Analyst  
 LINDA LEET, Committee Clerk



ADAM A. GOODE, Bangor, Chair  
 STEPHEN S. STANLEY, Medway  
 MATTHEW W. MOONEN, Portland  
 DIANE M. RUSSELL,

DENISE A. TEPLER, Topsham  
 H. STEDMAN SEAVEY, Kennebunkport  
 BRUCE A. BICKFORD, Auburn  
 PAUL CHACE, Durham  
 THOMAS H. SKOLFIELD, Weld  
 GARY E. SUKEFORTH, Appleton

State of Maine  
 ONE HUNDRED AND TWENTY-SEVENTH LEGISLATURE  
 COMMITTEE ON TAXATION

Corrected  
 Copy  
 4/10/15

DATE: April 7, 2015

TO Sen. James Hamper, Senate Chair  
 Rep. Margaret Rotundo, House Chair  
 Members, Joint Standing Committee on Appropriations and financial Affairs

FROM: Sen. Earle McCormick, Senate Chair  
 Rep. Adam Goode, House Chair  
 Members Joint Standing Committee on Taxation

RE: Report back on the Biennial Budget, LD 1019, LR 1852

The Joint Standing Committee on Taxation is pleased to provide the attached information containing the Committee's recommendations regarding the provisions of the Biennial Budget assigned to our committee for review. The Committee has spent a considerable amount of time over the last month reviewing these provisions in detail and has been able to reach unanimous agreement on many of them. On areas where unanimous agreement could not be reached we have identified the divided recommendations. Our major areas of division were largely in the areas of sales tax expansions and income tax reductions.

Our recommendations regarding Part A of the budget are indicated on the pages provided to us. Our recommendations on the language provisions are indicated on the attached charts. We note the following regarding the attached charts.

**1. Fiscal impact information.** The fiscal impact information on the attached charts is derived primarily from information provided by the Department of Administrative and Financial Affairs to your Committee and ours at the public hearing in February. Additional estimates were provided to us by DAFS during our consideration of some proposals. In the time allotted to us we have not had the time to work with the administration to estimate the fiscal impact of some of our proposals. In those instances we have attempted to provide you with a framework to continue that work. We intend to be available to work with you as you progress in your evaluation of these provisions.

**2. Language.** We have noted that some of the language in the taxation language Parts is in need of technical improvements. We have not had the time to develop that language; however, we have asked our staff to work with your staff to identify and make these improvements as you formulate your report(s) on the budget to the full Legislature.

**3. Revenue alternatives.** Three of our members (Russell, Moonen, Sukeforth) would like to recommend that , in your consideration of revenue available to provide income and property tax relief, you consider the legalization of recreational marijuana sales and the imposition of a 10% additional sales tax and a 15% excise tax on such sales which together are estimated to generate approximately \$30,000,000 in additional revenue that could be available to tax relief.

We hope this information is helpful to you and will be available to assist you in any way we can regarding the issues subject to review by our Committee.

g:\taxcmte\127th-1\budget\reptback memo4-7-15doc.docx

**Sec. A-1. Appropriations and allocations.** The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

**Bureau of Revenue Services Fund 0885**

Initiative: BASELINE BUDGET

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>BUREAU OF REVENUE SERVICES FUND</b>				
All Other	\$151,720	\$151,720	\$151,720	\$151,720
<b>BUREAU OF REVENUE SERVICES FUND TOTAL</b>	<u>\$151,720</u>	<u>\$151,720</u>	<u>\$151,720</u>	<u>\$151,720</u>

**Justification:**

Provide imaging, scanning, debt collection, and administrative services to other state agencies. Provide a vehicle to deliver revenue collection services throughout state government.

---

**BUREAU OF REVENUE SERVICES FUND 0885  
PROGRAM SUMMARY**

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>BUREAU OF REVENUE SERVICES FUND</b>				
All Other	\$151,720	\$151,720	\$151,720	\$151,720
<b>BUREAU OF REVENUE SERVICES FUND TOTAL</b>	<u>\$151,720</u>	<u>\$151,720</u>	<u>\$151,720</u>	<u>\$151,720</u>

**County Tax Reimbursement 0263**

Initiative: BASELINE BUDGET

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$1,440,000	\$1,440,000	\$1,440,000	\$1,440,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$1,440,000</b>	<b>\$1,440,000</b>	<b>\$1,440,000</b>	<b>\$1,440,000</b>

**Justification:**

The primary function of this program is to ensure that revenue collected from Unorganized Territory taxpayers for motor vehicle and watercraft excise taxes is used to provide services to the Unorganized Territory Tax District. Receipts are funneled to the appropriate County treasury having jurisdiction over that unorganized place.

This money is used to reduce the amount that would otherwise need to be raised through the property tax for the purpose of reimbursing counties for services provided by them in Unorganized Territory within that County.

The State Tax Assessor has authorized approximately 60 agents to serve as Unorganized Territory tax collectors at various locations throughout twelve of the sixteen Maine counties. Typically, agent-collectors are also municipal excise tax collectors serving in jurisdictions near selected Unorganized Territory residential areas. This revenue line has proved very difficult to project because the inventory of vehicles changes constantly and may be somewhat cyclical. Inasmuch as vehicle ownership and frequency of replacement follow no discernable pattern or trend our estimations do not warrant a high degree of confidence.

---

**COUNTY TAX REIMBURSEMENT 0263  
PROGRAM SUMMARY**

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$1,440,000	\$1,440,000	\$1,440,000	\$1,440,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$1,440,000</b>	<b>\$1,440,000</b>	<b>\$1,440,000</b>	<b>\$1,440,000</b>

**Elderly Tax Deferral Program 0650**

Initiative: BASELINE BUDGET

	History 2013-14	History 2014-15	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$22,000	\$22,000	\$22,000	\$22,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$22,000</u>	<u>\$22,000</u>	<u>\$22,000</u>	<u>\$22,000</u>

**Justification:**

The purpose of the Elderly Tax Deferral Program is to enable qualifying Maine Resident elderly homeowners to defer payment of "homestead" property taxes. Property taxes may present hardships for some elderly homeowners with limited income. This program can help reduce the incidence of elderly persons being displaced from the homestead. The State pays the participant's property tax directly to the municipality that expects timely payment of property taxes in order to maintain necessary services. The program assists those elderly homeowners that may not have the financial ability to satisfy payment demands in full or in a timely fashion and thus may otherwise be compelled to sell the property, seek relief or face tax lien proceedings. The interest of the State in the property is protected by the filing of a lien.

The program was available to application through March 31, 1991. The program now consists of paying the annual obligations of initially qualified participants, providing necessary account statements, filing notice of lien and discharging liens resulting from attrition.

**Elderly Tax Deferral Program 0650**

Initiative: Reduces funding to more accurately reflect projected expenditures in the Elderly Tax Deferral Program.

Ref. #: 103

Committee Vote: in 8-0

AFA Vote: \_\_\_\_\_

	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>		
All Other	(\$17,000)	(\$17,000)
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>(\$17,000)</u>	<u>(\$17,000)</u>

**Justification:**

The Elderly Tax Deferral Program is no longer open to new applicants. This reduction brings the budget for the program in line with projected expenditures for the 2016-17 biennium.

**ELDERLY TAX DEFERRAL PROGRAM 0650  
PROGRAM SUMMARY**

	History 2013-14	History 2014-15	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$22,000	\$22,000	\$5,000	\$5,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$22,000</u>	<u>\$22,000</u>	<u>\$5,000</u>	<u>\$5,000</u>

**Homestead Property Tax Exemption - Mandate Reimbursement 0887**

Initiative: Provides funding to reimburse municipalities 50% of the costs associated with implementing the changes to the homestead exemption program.

Ref. #: 134

Committee Vote: out 9-0

AFA Vote: \_\_\_\_\_

**GENERAL FUND**

All Other

2015-16

2016-17

\$0

\$285,000

GENERAL FUND TOTAL

\$0

\$285,000

**Justification:**

Provides funding to reimburse municipalities 50% of the costs associated with implementing the changes to the homestead exemption program.

**Homestead Property Tax Exemption - Mandate Reimbursement 0887**

Initiative: Provides funding for the printing of 45,000 property tax homestead exemption applications.

Ref. #: 135

One Time

Committee Vote: out 9-0

AFA Vote: \_\_\_\_\_

**GENERAL FUND**

All Other

2015-16

2016-17

\$1,500

\$0

GENERAL FUND TOTAL

\$1,500

\$0

**Justification:**

Provides funding for the printing of 45,000 property tax homestead exemption applications.

**HOMESTEAD PROPERTY TAX EXEMPTION - MANDATE REIMBURSEMENT 0887  
PROGRAM SUMMARY**

**GENERAL FUND**

All Other

History  
2013-14

History  
2014-15

2015-16

2016-17

\$0

\$0

\$1,500

\$285,000

GENERAL FUND TOTAL

\$0

\$0

\$1,500

\$285,000

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: BASELINE BUDGET

	History 2013-14	History 2014-15	2015-16	2016-17
<b>GENERAL FUND</b>				
All Other	\$23,961,875	\$24,711,875	\$24,711,875	\$24,711,875
<b>GENERAL FUND TOTAL</b>	<u>\$23,961,875</u>	<u>\$24,711,875</u>	<u>\$24,711,875</u>	<u>\$24,711,875</u>

**Justification:**

The purpose of the reimbursement is to offset the effect upon local property tax burden arising from the municipal exemption provided for the homestead of qualified residents that can certify ownership and permanent residency in Maine for the 12 months preceding the April 1st application date.

---

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: Provides funding for projected increases in the Homestead Property Tax Reimbursement program.

Ref. #: 132

Committee Vote: 10-0 AFA Vote: \_\_\_\_\_

	2015-16	2016-17
<b>GENERAL FUND</b>		
All Other	\$2,273,125	\$3,622,375
<b>GENERAL FUND TOTAL</b>	<u>\$2,273,125</u>	<u>\$3,622,375</u>

**Justification:**

Increases in property tax rates across the State will result in additional claims in the Homestead Property Tax Exemption program.

---

**HOMESTEAD PROPERTY TAX EXEMPTION REIMBURSEMENT 0886  
PROGRAM SUMMARY**

	History 2013-14	History 2014-15	2015-16	2016-17
<b>GENERAL FUND</b>				
All Other	\$23,961,875	\$24,711,875	\$26,985,000	\$28,334,250
<b>GENERAL FUND TOTAL</b>	<u>\$23,961,875</u>	<u>\$24,711,875</u>	<u>\$26,985,000</u>	<u>\$28,334,250</u>

**Maine Board of Tax Appeals Z146**

Initiative: BASELINE BUDGET

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
POSITIONS - LEGISLATIVE COUNT	4.000	4.000	4.000	4.000
Personal Services	\$329,650	\$335,950	\$391,067	\$381,978
All Other	\$67,313	\$67,313	\$67,313	\$67,313
<b>GENERAL FUND TOTAL</b>	<b>\$396,963</b>	<b>\$403,263</b>	<b>\$458,380</b>	<b>\$449,291</b>
	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$45,000	\$45,000	\$45,000	\$45,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$45,000</b>

**Justification:**

The Maine Board of Tax Appeals is an independent board within the Department of Administrative and Financial Services (DAFS); and is not subject to the supervision or control of the bureau. The Board provides taxpayers a fair system of resolving controversies with the bureau and ensures due process.

**MAINE BOARD OF TAX APPEALS Z146  
PROGRAM SUMMARY**

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
POSITIONS - LEGISLATIVE COUNT	4.000	4.000	4.000	4.000
Personal Services	\$329,650	\$335,950	\$391,067	\$381,978
All Other	\$67,313	\$67,313	\$67,313	\$67,313
<b>GENERAL FUND TOTAL</b>	<b>\$396,963</b>	<b>\$403,263</b>	<b>\$458,380</b>	<b>\$449,291</b>
	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$45,000	\$45,000	\$45,000	\$45,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$45,000</b>



**Mandate BETE - Reimburse Municipalities Z065**

Initiative: BASELINE BUDGET

	History 2013-14	History 2014-15	2015-16	2016-17
<b>GENERAL FUND</b>				
All Other	\$10,628	\$12,222	\$12,222	\$12,222
<b>GENERAL FUND TOTAL</b>	<u>\$10,628</u>	<u>\$12,222</u>	<u>\$12,222</u>	<u>\$12,222</u>

**Justification:**

The Business Equipment Tax Exemption Mandate Reimbursement Program is included in Chapter 623 Section 1, PL 2006. The purpose of the program is to reimburse municipalities and the Unorganized Territory Education and Services Fund for state mandated costs related to the implementation of the Business Equipment Tax Exemption as required under the Constitution of Maine, Article IX, Section 21, and Title 30-A, sec. 5685.

**Mandate BETE - Reimburse Municipalities Z065**

Initiative: Provides funding for projected increases in the Business Equipment Tax Exemption (BETE) program.

Ref. #: 152

Committee Vote: in 8-0

AFA Vote: \_\_\_\_\_

	2015-16	2016-17
<b>GENERAL FUND</b>		
All Other	\$3,056	\$6,875
<b>GENERAL FUND TOTAL</b>	<u>\$3,056</u>	<u>\$6,875</u>

**Justification:**

Provides funding for projected increases in the Business Equipment Tax Exemption (BETE) program.

**Mandate BETE - Reimburse Municipalities Z065**

Initiative: Provides funding to reimburse municipalities 50% of the costs associated with implementing changes to the Business Equipment Tax Reimbursement (BETR) program and the Business Equipment Tax Exemption (BETE) program.

Ref. #: 153

Committee Vote: out 9-0

AFA Vote: \_\_\_\_\_

	2015-16	2016-17
<b>GENERAL FUND</b>		
All Other	\$0	\$20,000
<b>GENERAL FUND TOTAL</b>	<u>\$0</u>	<u>\$20,000</u>

**Justification:**

Provides funding to reimburse municipalities 50% of the costs associated with implementing changes to the Business Equipment Tax Reimbursement (BETR) program and the Business Equipment Tax Exemption (BETE) program.

**MANDATE BETE - REIMBURSE MUNICIPALITIES Z065  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$10,628	\$12,222	\$15,278	\$39,097
<b>GENERAL FUND TOTAL</b>	<b>\$10,628</b>	<b>\$12,222</b>	<b>\$15,278</b>	<b>\$39,097</b>

**Revenue Services, Bureau of 0002**

Initiative: BASELINE BUDGET

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
POSITIONS - LEGISLATIVE COUNT	301.500	296.500	292.000	292.000
POSITIONS - FTE COUNT	0.346	0.346	0.000	0.000
Personal Services	\$19,306,715	\$20,102,056	\$22,123,176	\$22,002,609
All Other	\$13,086,570	\$13,275,067	\$13,119,737	\$13,119,737
<b>GENERAL FUND TOTAL</b>	<b>\$32,393,285</b>	<b>\$33,377,123</b>	<b>\$35,242,913</b>	<b>\$35,122,346</b>
<b>FEDERAL EXPENDITURES FUND</b>				
All Other	\$5,000	\$5,000	\$5,000	\$5,000
<b>FEDERAL EXPENDITURES FUND TOTAL</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$8,318,348	\$10,568,348	\$11,418,348	\$11,418,348
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$8,318,348</b>	<b>\$10,568,348</b>	<b>\$11,418,348</b>	<b>\$11,418,348</b>

**Justification:**

Maine Revenue Services (MRS) exists primarily to collect tax revenues necessary to support Maine State Government. In order to achieve this end, MRS must responsibly administer state tax law. Subsidiary responsibilities of MRS include 1) oversight of municipal tax administration in order to assist municipalities and provide uniformity of local taxes throughout the state, and 2) operation of various tax relief programs to provide tax relief to taxpayers pursuant to Maine law.

In order to achieve MRS' purposes, these major functional areas have evolved. The duties of each are divided among operating divisions of Maine Revenue Services.

**Tax Administration:** The Income & Estate Tax Division administers income, insurance premiums, withholding, financial institution, pass-through entity, estate tax law and the Maine Residents Property Tax Program and the Business Equipment Tax Reimbursement (BETR) Program; the Sales, Fuel & Special Tax Division administers Sales, Use and Service Provider taxes, Recycling Assistance fees, Bulk Motor Oil premiums, Gasoline and Special Fuel taxes and International Fuel Tax Agreement (IFTA), Cigarette and Tobacco Products taxes, Potato, Blueberry, Railroad and Mahogany Quahog taxes, Hospital and Health Care Provider taxes, Initiator of Deposit, Milk Handling fee and various tax refund programs; the Property Tax Division provides oversight and direction for municipal tax administration, annually determines State Valuation, administers the property tax and motor vehicle/watercraft excise taxation in the Unorganized Territories, annually sets Tree Growth valuations, administers municipal reimbursements for Tree Growth, Homestead and Veterans' Exemptions, administers Commercial Forestry Excise and Real Estate Transfer taxes.

**Operations:** The Operations Division provides mail processing and deposits tax revenues, prepares budgets for the Bureau, monitors Bureau expenditures, provides bureau-wide business services and analyzes tax legislation. The Data Entry Division maintains and operates automated systems within the Bureau and provides Bureau-wide data entry services. The Research Division provides research support to the Bureau, develops economic models for tax policy analysis, and monitors monthly tax revenues.



**Justification:**

Provides funding for debt service payments on bonds issued for a new Revenue Services Web Portal.

**Revenue Services, Bureau of 0002**

Initiative: Provides funding for increased system costs and for additional technology support staff to ensure the ongoing reliability of the Maine Revenue Services tax system.

Ref. #: 12

Committee Vote: in 10-0

AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$623,088	\$755,751
<b>GENERAL FUND TOTAL</b>	<b>\$623,088</b>	<b>\$755,751</b>

**Justification:**

Technology costs for supporting Maine Revenue Services' tax systems are projected to increase in the next biennium. Additional technology staff will also be needed to develop a plan of succession in order to effectively support the tax systems going forward.

**Revenue Services, Bureau of 0002**

Initiative: Establishes 2 Tax Examiner positions to assist in the implementation of tax changes and provides funding for associated All Other costs.

Ref. #: 13

Committee Vote: out 6-4

AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2015-16</b>	<b>2016-17</b>
POSITIONS - LEGISLATIVE COUNT	0.000	2.000
Personal Services	\$0	\$64,412
All Other	\$0	\$233,894
<b>GENERAL FUND TOTAL</b>	<b>\$0</b>	<b>\$298,306</b>

**Justification:**

Establishes 2 Tax Examiner positions to assist in the implementation of tax changes and provides funding for associated All Other costs.

**Revenue Services, Bureau of 0002**

Initiative: Establishes 2 Tax Examiner positions to start in fiscal year 2015-16 and an additional 3 Revenue Agent positions to start in fiscal year 2016-17 to assist in the implementation of tax changes and provides funding for associated All Other costs.

Ref. #: 14

Committee Vote: out 9-1

AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2015-16</b>	<b>2016-17</b>
POSITIONS - LEGISLATIVE COUNT	2.000	5.000
Personal Services	\$126,278	\$348,808
All Other	\$248,720	\$37,830
<b>GENERAL FUND TOTAL</b>	<b>\$374,998</b>	<b>\$386,638</b>

**Justification:**

Establishes 2 Tax Examiner positions to start in fiscal year 2015-16 and an additional 3 Revenue Agent positions to start in fiscal year 2016-17 to assist in the implementation of tax changes and provides funding for associated All Other costs.

**REVENUE SERVICES, BUREAU OF 0002  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
POSITIONS - LEGISLATIVE COUNT	301.500	296.500	294.000	299.000
POSITIONS - FTE COUNT	0.346	0.346	0.000	0.000
Personal Services	\$19,306,715	\$20,102,056	\$22,249,454	\$22,415,829
All Other	\$13,086,570	\$13,275,067	\$14,413,545	\$14,569,212
<b>GENERAL FUND TOTAL</b>	<b>\$32,393,285</b>	<b>\$33,377,123</b>	<b>\$36,662,999</b>	<b>\$36,985,041</b>

<b>FEDERAL EXPENDITURES FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$5,000	\$5,000	\$5,000	\$5,000
<b>FEDERAL EXPENDITURES FUND TOTAL</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$8,318,348	\$10,568,348	\$11,403,348	\$11,403,348
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$8,318,348</b>	<b>\$10,568,348</b>	<b>\$11,403,348</b>	<b>\$11,403,348</b>

**Snow Grooming Property Tax Exemption Reimbursement Z024**

Initiative: BASELINE BUDGET

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
All Other	\$14,541	\$15,269	\$15,269	\$15,269
<b>GENERAL FUND TOTAL</b>	\$14,541	\$15,269	\$15,269	\$15,269

**Justification:**

The purpose of the Snow Grooming Property Tax Exemption Reimbursement program is to reimburse municipalities 50% of the property tax revenue loss as a result of the exemption for snow grooming equipment registered with the Department of Inland Fisheries and Wildlife.

**SNOW GROOMING PROPERTY TAX EXEMPTION REIMBURSEMENT Z024  
PROGRAM SUMMARY**

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
All Other	\$14,541	\$15,269	\$15,269	\$15,269
<b>GENERAL FUND TOTAL</b>	\$14,541	\$15,269	\$15,269	\$15,269

**Tree Growth Tax Reimbursement 0261**

Initiative: BASELINE BUDGET

GENERAL FUND	History 2013-14	History 2014-15	2015-16	2016-17
All Other	\$7,504,643	\$7,251,007	\$7,251,007	\$7,251,007
<b>GENERAL FUND TOTAL</b>	<b>\$7,504,643</b>	<b>\$7,251,007</b>	<b>\$7,251,007</b>	<b>\$7,251,007</b>

**Justification:**

The purpose of the Tree Growth Tax Reimbursement Program is to help moderate property tax rates for municipalities that experience reduced valuations due to the mandated use of (lower) current use values in place of (higher) ad valorem values. The reduced valuation on forestland causes a general shift in local tax burden to non-classified property because the lower taxable valuation base produces a somewhat higher property tax rate.

By statute, a municipal reimbursement is appropriate when it is determined that the use of mandated Tree Growth values results in a "tax loss" associated with classified forest lands as determined according to the statutorily established formula. The "tax loss" is offset by the calculated municipal savings in local share education costs that results from a lower State Valuation attributed to the use of Tree Growth values in determining said state valuation. Furthermore, the 90% amount of statutory reimbursement is subject to prorating based on the program allocation if full funding is not provided. In addition, municipalities that fail to comply with statutory requirements to maintain at least a 70% assessment ratio or timely file a completed Municipal Valuation Return will forfeit some or all of their reimbursement.

There are at least 3,600,000 classified acres included in over 22,000 parcels in municipalities statewide. There are over 7.5 million acres of classified forestland in the Unorganized Territory that receives no reimbursement. Thirty two percent of Unorganized Territory revenue is derived from owners of forestland classified under the Tree Growth Tax Law.

**Tree Growth Tax Reimbursement 0261**

Initiative: Provides funding for projected increases in the Tree Growth Reimbursement program.

Ref. #: 84

Committee Vote: in 10-0

AFA Vote: \_\_\_\_\_

GENERAL FUND	2015-16	2016-17
All Other	\$448,993	\$348,993
<b>GENERAL FUND TOTAL</b>	<b>\$448,993</b>	<b>\$348,993</b>

**Justification:**

Effective tax rate increases are anticipated in the first year of the 2016-17 biennium, with a projected 4 percent increase in the municipal mil rate and a .1 percent increase in the Essential Programs and Services (EPS) rate. There is an inverse reaction in the EPS rate which causes a lower increase in the second year of the 2016-17 biennium. By statute, the calculated amount of Tree Growth (TG) reimbursement is required to be reduced by the local cost savings for education costs because TG values result in a reduction in State Valuation (SV). SV is the prime factor in determining the local (municipal cost) in the EPS formula.



**TREE GROWTH TAX REIMBURSEMENT 0261  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$7,504,643	\$7,251,007	\$7,700,000	\$7,600,000
<b>GENERAL FUND TOTAL</b>	<b>\$7,504,643</b>	<b>\$7,251,007</b>	<b>\$7,700,000</b>	<b>\$7,600,000</b>

**Unorganized Territory Education and Services Fund - Finance 0573**

Initiative: BASELINE BUDGET

	History 2013-14	History 2014-15	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$16,310,000	\$16,968,000	\$16,968,000	\$16,968,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$16,310,000</u>	<u>\$16,968,000</u>	<u>\$16,968,000</u>	<u>\$16,968,000</u>

**Justification:**

To equitably assess and collect property taxes in the unorganized territory by discovering new property valuations.

---

**Unorganized Territory Education and Services Fund - Finance 0573**

Initiative: Reduces funding to more accurately reflect anticipated revenue and expenditures associated with depreciation and economic obsolescence on windmills.

Ref. #: 99

Committee Vote: in 9-0

AFA Vote: \_\_\_\_\_

	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>		
All Other	(\$600,000)	(\$700,000)
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>(\$600,000)</u>	<u>(\$700,000)</u>

**Justification:**

Reduces funding to more accurately reflect anticipated revenue and expenditures associated with depreciation on windmills. Ongoing depreciation reduces the value of the windmills; current depreciation for windmills is 5% annually. This initiative recognizes the reduction in annual revenue to the owners of the windmills attributable to federal tax credits. The price for the sale of electricity generated by some wind farms is subsidized by the federal government. For two of the wind farms in the Unorganized Territories, the federal government bought out the tax credits up front in a lump sum payment, thereby reducing the revenue from those farms going forward. That reduction in revenue has a direct impact on the value. Tax credits can provide as much as 30% of the revenue associated with the construction costs of wind farms. The reductions due to the credit buyouts are more appropriately termed 'economic obsolescence'.

---

**Unorganized Territory Education and Services Fund - Finance 0573**

Initiative: Provides funding for increased costs to Maine counties for services in Unorganized Territories.

Ref. #: 100

Committee Vote: in 9-0

AFA Vote: \_\_\_\_\_

	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>		
All Other	\$143,000	\$967,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$143,000</u>	<u>\$967,000</u>

**Justification:**

Provides funding for increased costs to Maine counties for services in Unorganized Territories. None of these county budgets have been established yet. The amount of increase/decrease will vary from county to county annually.

---

**UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND - FINANCE 0573  
PROGRAM SUMMARY**

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$16,310,000	\$16,968,000	\$16,511,000	\$17,235,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$16,310,000</b>	<b>\$16,968,000</b>	<b>\$16,511,000</b>	<b>\$17,235,000</b>

**Veterans' Organization Tax Reimbursement Z062**

Initiative: BASELINE BUDGET

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
All Other	\$27,720	\$29,106	\$29,106	\$29,106
<b>GENERAL FUND TOTAL</b>	<u>\$27,720</u>	<u>\$29,106</u>	<u>\$29,106</u>	<u>\$29,106</u>

**Justification:**

The purpose of this program is to reimburse municipalities for 50% of the loss in property tax revenue resulting from the expansion of the property tax exemption granted to veterans' organizations.

---

**VETERANS' ORGANIZATION TAX REIMBURSEMENT Z062  
PROGRAM SUMMARY**

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
All Other	\$27,720	\$29,106	\$29,106	\$29,106
<b>GENERAL FUND TOTAL</b>	<u>\$27,720</u>	<u>\$29,106</u>	<u>\$29,106</u>	<u>\$29,106</u>

**Veterans Tax Reimbursement 0407**

Initiative: BASELINE BUDGET

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$1,103,445	\$1,158,617	\$1,158,617	\$1,158,617
<b>GENERAL FUND TOTAL</b>	<b>\$1,103,445</b>	<b>\$1,158,617</b>	<b>\$1,158,617</b>	<b>\$1,158,617</b>

**Justification:**

The Veteran's Tax Exemption Reimbursement Program is mandated by Article IV, Part 3, Section 23 of the Maine Constitution. The purpose of the reimbursement is to diminish the effect upon local property tax burden arising from the municipal exemption provided for the estates of qualified veterans and certain survivors of a deceased veteran that are eligible based on the qualifying service of that veteran.

---

**Veterans Tax Reimbursement 0407**

Initiative: Provides funding for projected increases in the Veterans' Tax Reimbursement program.

Ref. #: 89

Committee Vote: in 9-0 AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$22,469	\$69,713
<b>GENERAL FUND TOTAL</b>	<b>\$22,469</b>	<b>\$69,713</b>

**Justification:**

Increases in property tax rates across the State will result in additional claims in the Veterans' Tax Reimbursement program.

---

**VETERANS TAX REIMBURSEMENT 0407  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$1,103,445	\$1,158,617	\$1,181,086	\$1,228,330
<b>GENERAL FUND TOTAL</b>	<b>\$1,103,445</b>	<b>\$1,158,617</b>	<b>\$1,181,086</b>	<b>\$1,228,330</b>

**Waste Facility Tax Reimbursement 0907**

Initiative: BASELINE BUDGET

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$11,608	\$12,188	\$12,188	\$12,188
<b>GENERAL FUND TOTAL</b>	<b>\$11,608</b>	<b>\$12,188</b>	<b>\$12,188</b>	<b>\$12,188</b>

**Justification:**

The purpose of this program is to reimburse municipalities for 50% of the loss in property tax revenue resulting from property tax exemptions granted on animal waste storage facilities.

---

**WASTE FACILITY TAX REIMBURSEMENT 0907  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$11,608	\$12,188	\$12,188	\$12,188
<b>GENERAL FUND TOTAL</b>	<b>\$11,608</b>	<b>\$12,188</b>	<b>\$12,188</b>	<b>\$12,188</b>

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

<b>DEPARTMENT TOTALS</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>	<b>\$73,060,806</b>	<b>\$74,977,572</b>
<b>FEDERAL EXPENDITURES FUND</b>	<b>\$5,000</b>	<b>\$5,000</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>\$29,404,348</b>	<b>\$30,128,348</b>
<b>BUREAU OF REVENUE SERVICES FUND</b>	<b>\$151,720</b>	<b>\$151,720</b>
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$102,621,874</b>	<b>\$105,262,640</b>

Sec. A-59. Appropriations and allocations. The following appropriations and allocations are made.

**PROPERTY TAX REVIEW, STATE BOARD OF**

**Property Tax Review - State Board of 0357**

Initiative: BASELINE BUDGET

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
Personal Services	\$6,099	\$6,099	\$0	\$0
All Other	\$80,565	\$80,565	\$80,565	\$80,565
<b>GENERAL FUND TOTAL</b>	<b>\$86,664</b>	<b>\$86,664</b>	<b>\$80,565</b>	<b>\$80,565</b>
	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$3,000	\$3,000	\$3,000	\$3,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>

**Justification:**

The Board has been established to hear and determine tax abatement appeals involving nonresidential properties with an equalized valuation of \$1,000,000 or more and appeals arising under 1) the tree tax law (36 MRSA 571 et seq.), 2) the farm and open space law (36 MRSA 1101 et seq.), 3) mine site cases (as provided in 36 MRSA 2865), 4) Working Waterfront designations (36 MRSA, 1131 et seq.); and municipal valuation appeals (36 MRSA 272).

**PROPERTY TAX REVIEW - STATE BOARD OF 0357**

**PROGRAM SUMMARY**

	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>				
Personal Services	\$6,099	\$6,099	\$0	\$0
All Other	\$80,565	\$80,565	\$80,565	\$80,565
<b>GENERAL FUND TOTAL</b>	<b>\$86,664</b>	<b>\$86,664</b>	<b>\$80,565</b>	<b>\$80,565</b>
	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$3,000	\$3,000	\$3,000	\$3,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>



**PROPERTY TAX REVIEW, STATE BOARD OF**

<b>DEPARTMENT TOTALS</b>	<b>2015-16</b>	<b>2016-17</b>
<b>GENERAL FUND</b>	<b>\$80,565</b>	<b>\$80,565</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>\$3,000</b>	<b>\$3,000</b>
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$83,565</b>	<b>\$83,565</b>

**Sec. A-68. Appropriations and allocations.** The following appropriations and allocations are made.

**TREASURER OF STATE, OFFICE OF**

**Disproportionate Tax Burden Fund 0472**

Initiative: BASELINE BUDGET

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$15,590,000	\$15,200,000	\$34,589,699	\$33,873,220
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$15,590,000</u>	<u>\$15,200,000</u>	<u>\$34,589,699</u>	<u>\$33,873,220</u>

**Justification:**

Within the State-Municipal Revenue Sharing program exists the Local Government Fund which was established to strengthen the state-municipal fiscal relationship in an effort to stabilize the municipal property tax burden and to aid in financing all municipal services. The Disproportionate Tax Burden Fund was also established to provide additional support for municipalities experiencing a higher-than-average property tax burden. Staff in the Administration program distribute payments to more than 490 municipalities by the 20th of each month; update individual municipalities' statistics annually which are used to determine the distribution ratio; respond to municipalities' questions and audits confirmations; forward projection information to the Maine Municipal Association for distribution; maintain and update website (facilitating electronic deposit) monthly.

**DISPROPORTIONATE TAX BURDEN FUND 0472  
PROGRAM SUMMARY**

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$15,590,000	\$15,200,000	\$34,589,699	\$33,873,220
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$15,590,000</u>	<u>\$15,200,000</u>	<u>\$34,589,699</u>	<u>\$33,873,220</u>

**Passamaquoddy Sales Tax Fund 0915**

Initiative: BASELINE BUDGET

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$17,607	\$17,607	\$17,607	\$17,607
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$17,607</b>	<b>\$17,607</b>	<b>\$17,607</b>	<b>\$17,607</b>

**Justification:**

The purpose of this program is to process the reimbursement of sales taxes paid to the Passamaquoddy Tribal Government.

---

**PASSAMAQUODDY SALES TAX FUND 0915  
PROGRAM SUMMARY**

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2013-14</b>	<b>History 2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
All Other	\$17,607	\$17,607	\$17,607	\$17,607
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$17,607</b>	<b>\$17,607</b>	<b>\$17,607</b>	<b>\$17,607</b>

**State - Municipal Revenue Sharing 0020**

Initiative: BASELINE BUDGET

	History 2013-14	History 2014-15	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$49,410,000	\$44,800,000	\$122,358,797	\$119,492,880
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$49,410,000</u>	<u>\$44,800,000</u>	<u>\$122,358,797</u>	<u>\$119,492,880</u>

**Justification:**

Within the State-Municipal Revenue Sharing program exists the Local Government Fund which was established to strengthen the state-municipal fiscal relationship in an effort to stabilize the municipal property tax burden and to aid in financing all municipal services. The Disproportionate Tax Burden Fund was also established to provide additional support for municipalities experiencing a higher-than-average property tax burden. Staff in the Administration program distribute payments to more than 490 municipalities by the 20th of each month; update individual municipalities' statistics annually which are used to determine the distribution ratio; respond to municipalities' questions and audits confirmations; forward projection information to the Maine Municipal Association for distribution; maintain and update website (facilitating electronic deposit) monthly.

**State - Municipal Revenue Sharing 0020**

Initiative: Adjusts funding for Municipal Revenue Sharing to bring allocations in line with projected available resources available due to changes in the tax laws.

Ref. #: 2722

Committee Vote: in 10-0 AFA Vote: \_\_\_\_\_

		2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>			
All Other	<i>with numbers revised to reflect changes recommended in Part L of language Parts.</i>	(\$76,574,752)	(\$119,492,880)
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>		<u>(\$76,574,752)</u>	<u>(\$119,492,880)</u>

**Justification:**

Adjusts funding for Municipal Revenue Sharing to bring allocations in line with projected available resources available due to changes in the tax laws.

**STATE - MUNICIPAL REVENUE SHARING 0020  
PROGRAM SUMMARY**

	History 2013-14	History 2014-15	2015-16	2016-17
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$49,410,000	\$44,800,000	\$45,784,045	\$0
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$49,410,000</u>	<u>\$44,800,000</u>	<u>\$45,784,045</u>	<u>\$0</u>

**TREASURER OF STATE, OFFICE OF**

**DEPARTMENT TOTALS**

**OTHER SPECIAL REVENUE FUNDS**

**DEPARTMENT TOTAL - ALL FUNDS**

	2015-16	2016-17
	\$80,391,351	\$33,890,827
	<u>\$80,391,351</u>	<u>\$33,890,827</u>

Sec. F-1. Appropriations and allocations. The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: Reduces funding to reflect projected savings to the state resulting from changes to the Maine Resident Homestead Property Tax Exemption.

Ref. #: ~~0886~~ ?

*inadvertently omitted*

Committee Vote: out 10-0

AFA Vote: \_\_\_\_\_

	2015-16	2016-17
GENERAL FUND		
All Other	(\$8,883,750)	(\$11,793,125)
GENERAL FUND TOTAL	<u>(\$8,883,750)</u>	<u>(\$11,793,125)</u>

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

DEPARTMENT TOTALS	2015-16	2016-17
GENERAL FUND	(\$8,883,750)	(\$11,793,125)
DEPARTMENT TOTAL - ALL FUNDS	<u>(\$8,883,750)</u>	<u>(\$11,793,125)</u>

Part	Current law	Budget proposal	Fiscal impact (DAFS info)		Taxation Committee recommendations
			FY2015-16 <sup>1</sup>	FY2016-17	
<b>PROPERTY TAX</b>					
D p. 12	<p><b>Telecommunications personal property excise tax</b></p> <p>Qualified telecommunications equipment is:</p> <p>A. Exempt from local property tax and</p> <p>B. Subject to a state excise tax equal to the municipal mill rate applied to the equalized just value of the equipment</p>	<p><b>Budget proposal.</b></p> <p>A. Repeals current state telecommunications excise tax 10/1/15</p> <p>B. Returns taxation of qualified telecommunications equipment to local property tax</p> <p>C. Provides that a person that provides telecommunications services for compensation is not eligible for BETE or BETR.</p>	<p>(\$8,250,000)</p> <p><u>FY 17-18</u></p> <p>(\$8,250,000)</p>	<p>(\$8,250,000)</p> <p><u>FY 18-19</u></p> <p>(\$8,250,000)</p>	<p>The Taxation Committee recommends adopting this proposal. (10-0)</p>
E p. 16	<p><b>Property tax exemption –Non profit institutions and organizations</b></p> <p>The following categories of property of institutions and organizations is 100% exempt from property tax. (paragraph letters refer to statutory paragraphs. unused letters have been repealed or contain admin provisions.)</p> <p>A. Benevolent and charitable organizations</p> <p>B. Literary and scientific organizations</p> <p>E. Certain veterans’ organizations</p> <p>F. Chambers of commerce and boards of trade</p> <p>G. Houses of worship, \$20,000 for parsonage and \$6,000 personal property</p> <p>H. Fraternal organizations, except college fraternities, operated on lodge system</p> <p>J. Property owned jointly by the other exempt categories</p> <p>K. Property leased and used by nonprofit hospitals, health maintenance organizations or blood banks</p>	<p><b>Budget proposal.</b></p> <p>A. Continued exempt:</p> <ol style="list-style-type: none"> <li>1. Churches, parsonages and related property</li> <li>2. First \$500,000 aggregate value per owner per municipality of other exempt property plus 50% of the aggregate value exceeding \$500,000</li> </ol> <p>B. Subjects to municipal taxation 50% of aggregate value exceeding the first \$500,000 per owner per municipality</p> <p>C. Begins with 4/1/16 property tax year.</p> <p>D. Property that becomes partially taxed is NOT eligible for BETR or BETE.</p>	<p>municipal revenue unknown</p>	<p>municipal revenue unknown</p>	<p>The Taxation Committee recommends deleting this proposal from the budget. (10-0)</p>

<sup>1</sup>General Fund impact (unless otherwise noted). Parentheses indicate GF loss. Lack of parentheses indicates GF gain.

Part	Current law	Budget proposal	Fiscal impact (DAFS info)		Taxation Committee recommendations
			FY2015-16 <sup>1</sup>	FY2016-17	
F p. 16	<p><b>Homestead property tax exemption</b></p> <ol style="list-style-type: none"> <li>1. Exempt amount \$10,000</li> <li>2. Eligibility: Permanent resident who has owned a homestead for 12 months</li> <li>3. State reimbursement to municipalities – 50% of tax loss</li> </ol>	<p><b>Homestead property tax exemption</b></p> <ol style="list-style-type: none"> <li>1. Increases homestead exemption amount to \$20,000</li> <li>2. Eligibility. Restricted to persons 65 or older</li> <li>3. State reimbursement to municipalities – 50% of tax loss</li> <li>4. <u>Begins 4/1/15 property tax year</u></li> <li>5. Identifies evidence that may be submitted to establish age: <ul style="list-style-type: none"> <li>• Drivers' license of State ID</li> <li>• Birth certificate</li> <li>• Passport</li> <li>• Concealed firearms permit</li> <li>• Hunting and fishing license</li> </ul> </li> </ol>	\$8,883,750	\$11,793,125	The Taxation Committee recommends deleting this provision and keeping the homestead property tax exemption as it exists under current law. (12-0)
			<u>FY 17-18</u> \$11,675,375	<u>FY 18-19</u> \$11,867,375	
G p. 19	<p><b>BETR/BETE</b></p> <p>A. <b>BETR</b> (taxes reimbursed to taxpayer) covers:</p> <ol style="list-style-type: none"> <li>i. Eligible business property placed in services after 4/1/95 and on or before 4/1/07</li> <li>ii. Qualified retail equipment placed in service after 4/1/07</li> </ol> <p>B. <b>BETE</b> (property tax exemption; state reimburses municipality 50% generally) covers:</p> <ol style="list-style-type: none"> <li>1. Eligible business property placed in service after 4/1/07</li> <li>ii. no eligibility for retail</li> </ol>	<p><b>BETR/BETE</b></p> <p>A. BETR program phases out</p> <ol style="list-style-type: none"> <li>i. No new entry into BETR program beginning 4/1/15</li> <li>ii. Eligible business property (placed in service before 4/1/15 and qualified retail) phases into BETE program <ol style="list-style-type: none"> <li>a. 4/1/16 -- 75% BETR/25%/BETE</li> <li>b. 4/1/17 – 50% BETR/50% BETE</li> <li>c. 4/1/18 – 25% BETR/75% BETE</li> <li>d. 4/1/19 --100% BETE</li> <li>e. after 4/1/25 – qualified <u>retail</u> property no longer eligible for either BETR or BETE</li> </ol> </li> </ol> <p>B. Excluded photocopiers and mail machines from BETE</p> <p>C. Limits BETR reimbursement to 90% of taxes paid</p>	\$3,500,000	(\$3,180,308)	<p>7 members of the committee recommend adopting this proposal.</p> <p>6 members of the committee recommend adopting the provision that would terminate new entry into the BETR program beginning 4/1/15 but would eliminate all other parts of this proposal from the bill.</p>
			<u>FY 17-18</u> (\$5,320,258)	<u>FY 18-19</u> (\$5,112,841)	



Part	Current law	Budget proposal	Fiscal impact (DAFS info)		Taxation Committee recommendations
			FY2015-16 <sup>1</sup>	FY2016-17	
<b>REVENUE SHARING</b>					
L p. 64	<b>State-municipal revenue sharing</b>  A. Funding -- 5% of income tax, sales tax and portion of service provider tax transferred to Local Government Fund. (Reduced by transfers to GF in FYs10 to 15; no transfers to GF scheduled for FY 16)  B. Distribution – To municipalities in month following transfer to the Local Government Fund based on population and relative property tax burden i. RevSharing I (80% of total) to all municipalities ii. RevShaing II (20% of total) to municipalities with a disproportion tax burden (greater than 10 mills increasing to statewide average mill rate depending on available funds)	<b>State municipal revenue sharing</b>  A. For FY 16 requires transfer back to the General Fund of all receipts in excess of \$62,500,000  B. Distributed monthly proportional to monthly transfers to Local Government Fund  C. Revenue sharing repealed 7/30/16	\$95,718,440	\$154,913,582	The Taxation committee recommends retaining \$62,500,00 in revenue sharing in both FY 16 and FY 17 and would leave the decision about what to do in FY 18 and FY 19 to the biennial budget process in the 128 <sup>th</sup> Legislature. (12-0)
			FY 2017-18	FY 2018-19	
			\$161,236,834	\$167,417,561	
<b>SALES TAX</b>					
Part H page 22	<b>1. Sale tax rates:</b> Restored 7/1/15 (after FY14-15 temporary increases) A. Short term auto rental           10% B. Lodging                               7% (8%) C. Meals (prepared food); on-premises alcohol               7% (8%) D. General rate                       5% (5.5%)	<b>1. Sale tax rates:</b> FY 2013-15 temporary rates extended through 12/31/15. Rates beginning 1/1/16 A. Short term auto rental           8% B. Lodging                               8% C. Meals (prepared food); on-premises alcohol               6.5% D. General rate                       6.5%	\$155,641,737	\$252,856,600	The Taxation committee agreed to: 1. Maintain the sales tax on short-term rental of automobiles at the 10% rate under current law (10-0) 2. To keep the sales tax on meals at the rate of 8% permanently (9-0) 3. Change the lodging rate to 9% (13-0) 4. General rate: 7 members would keep the general sales tax rate at 5.5% 5 members would adopt the Budget proposal to increase the general rate to 6.5%
			FY 2017-18	FY 18-19	
			\$264,038,300	\$275,905,600	

		<b>Impact of meals and lodging rate changes</b>	\$20,606,480	(\$4,911,300)	
			<u>FY 2017-18</u>	<u>FY 18-19</u>	
			(\$5,170,200)	(\$5,413,000)	
		<b>Impact of auto rental rate changes</b>		(\$429,474)	
			<u>FY 2017-18</u>	<u>FY 18-19</u>	
			(\$1,431,579)	(\$1,431,579)	
H-1 p. 22	<b>2. Transfers to Tourism Marketing Fund</b>  5% of sales tax on items taxed at 7% (8%)	<b>2. Transfers to Tourism Marketing Fund</b>  17% of 8% sales tax on lodging effective 10/1/16	<u>FY 2017-18</u> \$1,847,261	Other Special Revenue \$1,631,825  <u>FY 2018-19</u> \$2,109,690	The Committee notes that Maine Revenue Services has indicated to us that the initial fiscal impact figures noted to the left of this column are not accurate and that the intent of the budget proposal was to maintain transfers to the Tourism Marketing Fund at FY 14 levels.  <u>11 members</u> recommend adjusting the % of the lodging tax going to the Tourism Marketing Fund to retain the current level of transfers to the Tourism Marketing fund. (10-0) Initial calculations indicate that this would be 15.1% of a 9% rate on lodging.  <u>1 member</u> recommends transferring a % of the revenue on both meals (at 8% and lodging at 9%) that would result in the current level of funding for the Tourism Marketing fund. This % has not been calculated but is assumed to be a little lower than 5%.
	<b>3. Transfers to Multimodal Transportation Fund</b> A. Sales tax on rental of pickup trucks/vans less than 26,000 lbs B. Railroad excise tax revenue C. Use tax on fuel used for vehicles on rails	<b>3. Transfers to Multimodal Transportation Fund</b> <i>Reduction in transfers due to ST rate changes for short term auto rentals under the requirements of 23 MRSA §4210-B.</i>	<u>FY 2017-18</u> (\$931,579)	Other Special Revenue (\$179,474)  <u>FY 2018-19</u> (\$931,579)	The Taxation committee notes that if the committee's recommendation to retain the 10% sales tax rate on short term auto rentals is adopted, there will be no reduction in transfers to the Multimodal Transportation Fund. (12-0)
H-2 to H-	<b>4. Sales tax base</b>	<b>4. Sales tax base</b>	\$39,857,475	\$118,961,300	

21 and H-23 H-25	<p>A. Tangible personal property  B. Rental of lodging  C. Transmission and distribution of electricity  D. Rental or lease of automobile, , camper trailer, motor home, pickup truck or van  E. Extended service contract on an automobile or truck  F. Prepaid calling service</p>	<p>1. <u>Expands base to include:</u>  G. Recreation and amusement services  H. Installation, repair and maintenance services except those sold to a business for business use  I. Personal services  J. Domestic and household services  K. Personal property services except those sold to a business for business use  L. Professional services except those sold to business for business use</p>	<p><u>FY 2017-18</u>  \$123,820,200</p>	<p><u>FY 18-19</u>  \$128,353,000</p>	<p>The Taxation Committee recommends adoption of the base expansion to certain services proposed in the budget with the following exceptions: (10-0)</p> <ol style="list-style-type: none"> <li>1. In the definition of “domestic services” delete “private waste management</li> <li>2. In the definition of personal services delete references to hair services.</li> <li>3. Delete the entire category of “professional services.”</li> <li>4. In “recreation and amusement services” delete references to “museums.”</li> </ol>
H-4 H-11 H-18		<p>2. <u>Expands definition of taxable prepared food</u></p>	<p>\$4,735,500</p> <p><u>FY 2017-18</u>  \$14,670,000</p>	<p>\$14,110,000</p> <p><u>FY 18-19</u>  \$15,190,000</p>	<p>The Taxation Committee recommends adoption of this proposal. (10-0)</p>
	<p><b>4. Taxation of leases</b>  Sales tax is due on the value of the life of the lease at the time that a lease is entered into.</p>	<p><b>4. Taxation of leases</b>  Provides that the tax is paid on the lease stream” as lease payments are made.</p>			<p>The Taxation Committee recommends adoption of this proposal. (11-0)</p>
H-38	<p><b>5. Collection allowance</b>  A. Retailers keep “breakage” (the amount in excess of actual amounts due resulting from operation of the sales tax rate schedules)</p>	<p><b>5. Collection allowance</b>  A. Breakage allowance repealed.  B. Enacts new allowance that is the greater of 0.5% of the tax due or \$10, but no more than \$1,000.</p>	<p>\$(2,100,000)</p> <p><u>FY 2017-18</u>  \$(4,200,000)</p>	<p>\$(4,200,000)</p> <p><u>FY 18-19</u>  \$(4,200,000)</p>	<p>The Taxation Committee recommends adoption of this proposal. (12-0)</p>
H-22 H-24 H-27	<p><b>6. Many sales tax exemptions</b></p>	<p><b>6. Exemption changes</b>  A. <u>Enacts new exemption</u> for sales to incorporated non-profit organizations providing direct support services to veterans with post-traumatic stress disorder or traumatic brain injury and their families.</p>			<p>The Taxation Committee recommends adoption of the proposed sales tax exemption for certain nonprofit providers of services to disabled veterans (10-0) and the provision exempting persons with less than \$3,000 in sales from</p>

		<p>B. <u>Repeals special treatment of certain vending machine sales</u> (taxation at wholesale level)</p> <p>C. <u>De minimus exemption</u>. Persons with less than \$3,000 annual gross sales (not including casual sales of lodging) not required to register.</p>			<p>registering to collect sales tax (11-0).</p> <p>The committee is split on the treatment of sales through vending machines.  <u>7 members</u> recommend adopting the budget proposal;  <u>6 members</u> recommend deleting the budget proposal and retaining current law.</p>
H-37	<p><b>7. Use tax reporting</b></p> <p>Persons with use tax liability on items with a sales price less than \$5,000 are required to report that liability on their income tax form and pay the tax due. Taxpayers may calculate the tax due by multiplying their Maine adjusted gross income by .08%</p>	<p><b>7. Use tax reporting</b></p> <p>Increases the use tax calculation formula from .08% to .1%</p>	<p><u>FY 2017-18</u></p> <p>\$510,000</p>	<p>\$450,000</p> <p><u>FY 18-19</u></p> <p>\$570,000</p>	<p>The Taxation Committees notes that the reason to make this change is to maintain appropriate use tax collections consistent with the proposed increases in sales tax rates and the expansion of the sales tax base. The Committee recommends adoption of this proposal but notes that the % used in the formula to calculate use tax may need to be decreased from the recommended amount if sales taxes are not increased by an amount close to those recommended in the budget. (10-0)</p>

**SERVICE PROVIDER TAX**

Part I	Current law	Budget proposal	FY 2015-16	FY 2016-17	
I-5	<p><b>1. Service provider tax rate</b></p> <p>5%</p>	<p><b>1. Service provider tax rate</b></p> <p>6%</p> <p>effective 1/1/16</p>	<p>\$7,763,363</p> <p><u>FY 2017-18</u></p> <p>\$14,541,700</p>	<p>\$13,813,400</p> <p><u>FY 18-19</u></p> <p>\$15,224,700</p>	<p>The Taxation committee recommends adoption of this proposal (10-1)</p>
I-1 to I-7	<p><b>2. Service provider tax base</b></p> <p>A. Extended cable and satellite TV  B. Fabrication services  C. Rental of video media and equipment  D. Rental of furniture, audio media and audio equipment  E. Telecommunications service  F. Installation, maintenance and repair of telecommunications equipment  G. Private nonmedical institutions or personal home care  H. Community support services for persons with mental health diagnoses  I. Community support services for persons with intellectual disabilities or autism</p>	<p><b>2. Service provider tax base</b>  <b>Base is the same unless otherwise noted</b>  <u>A.</u> Expands to include basic cable and satellite  C. Rental of video media and equipment moved to sales tax  D. Rental of furniture and audio moved to sales tax  E. Expands to include interstate and international telecommunications service sold to nonbusiness customers</p> <p>effective 1/1/16</p>			<p>The Taxation committee recommends adoption of this proposal (10-1)</p>

	J. Home support services K. Ancillary services(telcom) L. Group residential service for persons with brain injuries				
--	---	--	--	--	--

**INCOME TAX**

Part K	Current law	Budget proposal	FY2015-16 <sup>2</sup>	FY2016-17																																																								
K-1 to K-16 page 41	<p><b>Individual income tax brackets, rates</b> <u>Tax years 2014 and 2015</u> (For head of household multiply bracket amount by 1.5, for joint returns multiply bracket amounts by 2, (more or less))</p> <p><u>Single</u></p> <table> <tr> <td>\$0 to \$5,200</td> <td>0%</td> </tr> <tr> <td>\$5,200 to \$20,899</td> <td>6.5%</td> </tr> <tr> <td>\$20,900 and more</td> <td>7.95%</td> </tr> </table>	\$0 to \$5,200	0%	\$5,200 to \$20,899	6.5%	\$20,900 and more	7.95%	<p><b>Individual income tax brackets, rates</b> (For head of household multiply bracket amount by 1.5, for joint returns multiply bracket amounts by 2)</p> <table> <tr> <td><u>Single</u></td> <td>2016</td> <td>2017</td> <td>2018</td> <td>2019</td> </tr> <tr> <td>\$0 \$9,699</td> <td>0</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>\$9,700 to \$49,999</td> <td>5.75%</td> <td>5.75%</td> <td>5.75%</td> <td></td> </tr> <tr> <td>\$50,000 and more</td> <td>6.95%</td> <td></td> <td></td> <td></td> </tr> <tr> <td>\$50,000 to \$128,099</td> <td></td> <td>6.95%</td> <td></td> <td></td> </tr> <tr> <td>\$50,000 to \$143,724</td> <td></td> <td></td> <td>6.75%</td> <td></td> </tr> <tr> <td>\$50,000 to \$174,999</td> <td></td> <td></td> <td></td> <td>6.5%</td> </tr> <tr> <td>amount over previous bracket</td> <td></td> <td>6.5%</td> <td>6%</td> <td></td> </tr> <tr> <td></td> <td></td> <td>5.75%</td> <td></td> <td></td> </tr> </table>	<u>Single</u>	2016	2017	2018	2019	\$0 \$9,699	0	0%	0%	0%	\$9,700 to \$49,999	5.75%	5.75%	5.75%		\$50,000 and more	6.95%				\$50,000 to \$128,099		6.95%			\$50,000 to \$143,724			6.75%		\$50,000 to \$174,999				6.5%	amount over previous bracket		6.5%	6%				5.75%			<p>(\$163,538,800)</p> <p><u>FY 2017-18</u></p> <p>(\$449,318,810)</p>	<p>(\$418,267,125)</p> <p><u>FY 2018-19</u></p> <p>(\$489,417,446)</p>	<p>The Taxation Committee divided on this proposal.</p> <p><u>6 members</u> propose a rate and bracket structure that identifies revenue available under the other tax provisions and applies it in a manner that is revenue neutral over the entire tax package to provide income tax relief in the following manner.</p> <ol style="list-style-type: none"> <li>1. Establish 5 brackets, including a 0% bracket from \$0 to \$9,699;</li> <li>2. Provide a progressive rate structure;</li> <li>3. No changes are proposed outside of the next biennium;</li> <li>4. Each bracket would be devised to provide that approximately the same dollar amount of tax reduction would apply to each income decile in the MRS tax distribution analysis.</li> </ol> <p><u>1 additional member</u> supports the concept of this proposal but supports making available more revenue through higher sales tax rates and lower itemized deductions to support greater reductions in income tax through the restructuring of brackets and rates.</p> <p><u>5 members</u> would retain the bracket structure in the budget proposal for FY 18 and FY 19 and propose for FY 16 and FY 17 the following brackets :</p> <table> <tr> <td>\$0-\$9699</td> <td>0%</td> </tr> <tr> <td>\$9700 - \$29,999</td> <td>5.75%</td> </tr> </table>	\$0-\$9699	0%	\$9700 - \$29,999	5.75%
\$0 to \$5,200	0%																																																											
\$5,200 to \$20,899	6.5%																																																											
\$20,900 and more	7.95%																																																											
<u>Single</u>	2016	2017	2018	2019																																																								
\$0 \$9,699	0	0%	0%	0%																																																								
\$9,700 to \$49,999	5.75%	5.75%	5.75%																																																									
\$50,000 and more	6.95%																																																											
\$50,000 to \$128,099		6.95%																																																										
\$50,000 to \$143,724			6.75%																																																									
\$50,000 to \$174,999				6.5%																																																								
amount over previous bracket		6.5%	6%																																																									
		5.75%																																																										
\$0-\$9699	0%																																																											
\$9700 - \$29,999	5.75%																																																											

<sup>2</sup> General Fund impact (unless otherwise noted). Parentheses indicate loss of revenue. Lack of parentheses indicates GF revenue gain.  
OFPR/jsj

					\$30,000 - \$49,999 6.5% \$50,000+ 6.95%												
K-17	<p><b>Income tax modifications affected by the budget bill</b></p> <p><u>1. MEPEERS – Employer pickup of employee contributions to retirement system.</u> Generally, employees pay income tax on employee contributions to pension systems at the time of the contribution. <u>Federal</u> law permits an arrangement called employer “pickup” of contributions whereby government employees can defer tax on employee contributions until retirement <u>State</u> income tax law requires that state income tax be paid at time of contribution.</p>	<p><u>1. MEPEERS – Employer pickup of employee contributions to retirement system.</u> Budget proposes to permit employees to treat pick-up contributions in same way as under federal income tax – deferral until pension is collected.</p> <p>MRS estimates income added back under current law in 2013 was \$148,250,000)</p>			The Taxation Committee recommends removing this provision from the budget and leaving current law as is. (12-0)												
K-18 to K-19	<p><u>2. Pension deduction.</u> Currently \$10,000 (except for military pensions, the \$10,000 amount is reduced by the amount of Social Security and Railroad Retirement benefits received)</p>	<p><u>2. Pension deduction.</u> A. Pension deduction amount increased as follows:</p> <table border="1"> <thead> <tr> <th>Tax year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>\$15,000</td> </tr> <tr> <td>2017</td> <td>\$20,000</td> </tr> <tr> <td>2018</td> <td>\$25,000</td> </tr> <tr> <td>2019</td> <td>\$30,000</td> </tr> <tr> <td>2020 and later</td> <td>\$35,000</td> </tr> </tbody> </table> <p>(amount indexed beginning in 2020)</p> <p>B. Military retirement plan benefits 100% exempt beginning 2016</p>	Tax year	Amount	2016	\$15,000	2017	\$20,000	2018	\$25,000	2019	\$30,000	2020 and later	\$35,000			<p><u>6 members</u> recommend adopting the budget proposal for nonmilitary retirement plan pension benefits..</p> <p><u>6 members</u> recommend deleting this proposal and retaining current law.</p> <p><u>All members</u> of the Committee support the proposal to exempt all military retirement plan pension benefits beginning in 2016 (13-0)</p>
Tax year	Amount																
2016	\$15,000																
2017	\$20,000																
2018	\$25,000																
2019	\$30,000																
2020 and later	\$35,000																
K-20	<p><u>3. Long-term care insurance premiums.</u> Individuals are permitted to deduct premiums for long-term care insurance.</p>	<p><u>3. Long-term care insurance premiums.</u> This deduction is repealed.</p> <p>MRS estimates subtracted under current law in 2013 was \$34,350,000)</p>			The Taxation Committee recommends adoption of this proposal. (13-0)												
K-21	<p><u>4. Contributions to college savings programs</u> Individuals are permitted to deduct up to \$250 per designated beneficiary under a college savings program qualified under Section 529 of the Internal Revenue code.</p>	<p><u>4. Contributions to college savings programs</u> This deduction is repealed.</p> <p>MRS estimates income subtracted under current law in 2013 was \$4,400,000)</p>			The Taxation Committee recommends adoption of this proposal. (13-0)												
K-22	<u>5. Itemized deductions.</u>	<u>5. Itemized deductions.</u>															

	Individuals are permitted to deduct the modified amount of federal itemized deduction up to a maximum of \$27,500 except that the \$27,500 limitation does not apply to medical and dental expenses and charitable contributions (\$18,000 in 2016; 100% thereafter)	Itemized deductions repealed for tax years beginning after 12/31/15. The deduction for medical expenses is replaced with a credit equal to 5% of the amount of medical expenses claimed on a federal return.  MRS TER estimate  FY 16 (\$60,469,000) FY 17 (\$68,941,000)			6 members recommend adopting the budget proposal regarding itemized deductions and the related new income tax credit for medical expenses.  6 members recommend retaining itemized deductions but lowering the current cap on certain deductions from \$27,500 to \$15,000. Under this proposal there would be no need for the proposed new medical expense credit because all medical expenses would be deductible.
K-31	<b>Income tax credits affected by the budget bill</b>	<b>Income tax credits affected by the budget bill</b>  <u>1. New sales tax fairness credit</u> Base credit increases from \$250 for return claiming one exemption to \$500 for return claiming 6 or more exemptions.  Credit phases out as expanded income rises between \$15,000 to \$27,000 for single filers, \$22,500 to \$47,250 for heads of households; and \$30,000 to \$54,000 for joint filers.	(\$7,102,007)  <u>FY 2017-18</u>  (\$68,031,076)	(\$70,760,146)  <u>FY 2018-19</u>  (\$63,360,239)	The Taxation Committee recommends adopting this provision. (13-0)
K-44 to K-45	<u>2. Property tax fairness credit</u> A. Benefit base (maximum property tax that can be used to calculate credit) Single filers \$2,000 Joint; HoH w/2exmpt \$2,600 Joint, HoH w/3+ exmpts \$3,200  B. Credit calculation 50% of (6% of income minus benefit base)  C. Maximum credit age 65+ \$900 under 65 \$600	<u>2. Property tax fairness credit</u> A. Benefit base (maximum property tax that can be used to calculate credit) – <u>beginning 2016 TYs</u> Single filers \$3,000 Joint; HoH w/2exmpts \$4,000 Joint, HoH w/3+ exmpts \$5,000  B. Credit calculation – <u>beginning 2016 tax years</u> 100% of (6% of income minus benefit base)  C. Maximum credit – <u>beginning 2016 tax years</u> age 65+ \$1,500 under 65 \$1,000  D. Credit not allowed for married filing separately – <u>beginning 2015 tax years</u>	(\$5,769,794)  <u>FY 2017-18</u>  (\$57,035,500)	(%57,640,242)  <u>FY 2018-19</u>  (\$57,712,294)	The Taxation Committee is divided on this recommendation: <u>7 members</u> recommend removing this provision from the budget and retaining current law. <u>6 members</u> recommend adopting the budget proposal.
K-32	<u>3. Various income tax credits</u>	<u>3. Various tax credits</u>	MRS estimate 2013		

K-35 K-36 K-39 K-40 K-41 K-43		The following credits are repealed for tax years beginning on or after 1/1/2016 except for amounts that are permitted to be carried A. Jobs and Investment Tax Credit (K-32) B. Employer assisted day care credit (K-35) C. Employer provided long-term care benefits (K-36) D. High-technology investment credit (K-39) E. Low-income dependent health benefits (K-40) F. Quality child care investment credit (K-41) G. Credit for biofuel commercial production and commercial use (K-43)	or TE report  A. (\$25,000) B. (\$0 to \$50,000) C. (\$1,947,000) D. (\$912,000) E. (\$0 to \$50,000) F. (\$0 to \$50,000) G. (\$0)	The Taxation Committee recommends adopting these provisions. (10-0)
K-33	<u>4. Credit for contributions to family development account</u> Credit for contributions to family development reserve account equal to the lesser of 50% amount contributed or \$25,000. A family development reserve account is an account created by a community development organization to encourage low-income families to save. Withdrawals may only be used for specified purposes.	<u>4. Credit for contributions to family development account</u> This credit is repealed	MRS estimate 2013  (\$25,000)	The Taxation Committee recommends adopting this provision. (10-0)
K-34	<u>5. Child and dependent care credit</u> Credit equal to 25% of the federal credit allowed for child and dependent credit. Credit doubles for quality child care. Refundable up to \$500.	<u>5. Child and dependent care credit</u> Increases credit for all to 50% of federal credit beginning with 2016 tax years.. Repeals increase in credit for quality child care.	MRS estimate 2013  (\$3,875,000)	The Taxation Committee recommends adopting this provision. (10-0)
K-37	<u>6. Retirement and disability credit</u> Credit equal to 20% of federal credit	<u>6. Retirement and disability credit</u> This credit is repealed	MRS estimate 2013  less than (\$25,000)	The Taxation Committee recommends adopting this provision. (10-0)
K-38	<u>7. Forest management planning credit</u> Credit up to \$200 once every 10 years for the costs of preparing a forest management and harvest plan required under the tree growth tax law	<u>7. Forest management planning credit</u> This credit is repealed.	MRS estimate 2013  (\$55,750)	The Taxation Committee recommends adopting this provision. (10-0)
K-42	<u>8. Earned income tax credit</u> Credit equal to 5% of federal earned income tax credit	<u>8. Earned income tax credit</u> This credit is repealed	MRS estimate 2013  (\$6,400,000)	<u>10 members</u> of the committee recommend adopting this provision.  <u>2 members</u> recommend retaining the current credit.
K-47		<u>8a. New medical expense credit</u>		



		Replaces itemized deduction for medical expenses. Credit equal to 5% of federal deduction for medical and dental expenses.			<p><u>6 members</u> recommend adopting the budget proposal regarding itemized deductions and the related new income tax credit for medical expenses.</p> <p><u>6 members</u> recommend retaining itemized deductions but lowering the current cap on certain deductions from \$27,500 to \$15,000. Under this proposal there would be no need for the proposed new medical expense credit because all medical expenses would be deductible.</p>
K-48	<p><u>9. Income tax form checkoffs for contributions</u></p> <p>A. Nongame wildlife fund  B. Companion animal sterilization fund  C. Children's trust incorporated  D. <del>Bone marrow screening fund</del>  E. Maine military family relief fund  F. Maine veterans' Memorial Cemetery Maintenance Fund  G. <del>Maine asthma and lung disease research fund</del>  H. Maine public library fund  I. Maine clean election fund</p>	<p><u>9. Income tax form checkoffs for contributions</u></p> <p>All removed from income tax form beginning with 2016 tax years except Maine clean election fund</p>			The Taxation Committee recommends removing this provision. (12-0)
K-49	<p><u>10. Indexing for inflation</u></p> <p>The following items are indexed for inflation</p> <p>A. Rate bracket amounts (beginning in 2015)  B. Itemized deduction limitation  C. Benefit base amounts in property tax fairness credit</p>	<p><u>10. Indexing for inflation</u></p> <p>The following items are indexed for inflation</p> <p>A. Rate bracket amounts (beginning in 2019)  B. NA  C. Benefit base amounts in property tax fairness credit  D. Base credit amounts under the sales tax fairness credit (2016)  E. Income level at which sales tax fairness credit begins to phase out (2016)  F. Pension deduction amount (2020)</p>			<p><u>6 members</u> recommend adopting the proposed indexing as described in the description of the budget proposal to the left of this column, paragraphs A, C, D, E and F.</p> <p><u>6 members</u> recommend adopting the proposed indexing as described in the description of the budget proposal to the left of this column, paragraphs A, C, D, and E and adding back indexing of the itemized deduction limitation. (These members have recommended NOT adopting the pension increases proposed in the bill so indexing under paragraph F is not required.</p>
K-24 to K-29	<p><b>Corporate income tax brackets; rates</b></p> <p>\$0 to \$25,000                      3.5%</p>	<p><b>Corporate income tax brackets; rates</b></p> <p><b>Tax years beginning</b></p> <p>2017    2018    2019    2020</p>	(\$1,050,000)	(\$7,531,355)	<u>8 members</u> recommend adopting the budget proposal.

	\$25,000 to \$75,000 7.93% \$75,000 to \$250,000 8.33% \$250,000 and over 8.93%	<table border="0"> <tr> <td></td> <td style="text-align: center;"><u>2021</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>\$0 to \$25,000</td> <td>3.5%</td> <td>3.5%</td> <td>3.5%</td> <td>3.5%</td> <td></td> </tr> <tr> <td>\$25,000 to \$75,000</td> <td>7.93%</td> <td>7.93%</td> <td>7.5%</td> <td>7%</td> <td></td> </tr> <tr> <td></td> <td>6.75%</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>\$75,000 to \$250,000</td> <td>8.33%</td> <td>7.93%</td> <td>7.5%</td> <td>7%</td> <td></td> </tr> <tr> <td></td> <td>6.75%</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>\$250,000 and over</td> <td>8.33%</td> <td>7.93%</td> <td>7.5%</td> <td>7%</td> <td></td> </tr> <tr> <td></td> <td>6.75%</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>		<u>2021</u>					\$0 to \$25,000	3.5%	3.5%	3.5%	3.5%		\$25,000 to \$75,000	7.93%	7.93%	7.5%	7%			6.75%					\$75,000 to \$250,000	8.33%	7.93%	7.5%	7%			6.75%					\$250,000 and over	8.33%	7.93%	7.5%	7%			6.75%					FY 2017-18 (\$19,826,988)	FY 2018-19 (\$29,841,010)	<p><u>5 members</u> recommend retaining the current corporate income tax rate and bracket structure.</p>
	<u>2021</u>																																																				
\$0 to \$25,000	3.5%	3.5%	3.5%	3.5%																																																	
\$25,000 to \$75,000	7.93%	7.93%	7.5%	7%																																																	
	6.75%																																																				
\$75,000 to \$250,000	8.33%	7.93%	7.5%	7%																																																	
	6.75%																																																				
\$250,000 and over	8.33%	7.93%	7.5%	7%																																																	
	6.75%																																																				
K-30	<b>Corporations; alternative minimum tax</b> Corporations are required to pay a minimum tax equal to 5.4% of modified federal alternative minimum taxable income.	<b>Corporations; alternative minimum tax</b> Corporate alternative minimum tax is repealed for tax years beginning on or after 1/1/16			<p>The Taxation Committee is divided on this item:  <u>7 members</u> recommend adopting this provision.  <u>6 members</u> recommend removing it from the budget and retaining current law</p>																																																

**ESTATE TAX**

Part	Current law	Budget proposal	FY2015-16 <sup>3</sup>	FY2016-17	
Part J page 40	<b>Estate tax</b> Maine estate tax is imposed on the Maine taxable estate which is the federal taxable estate adjusted by Maine qualified terminable interest property, Maine elective property and certain taxable gifts made within one year of death. A. Exclusion (exemption):--- \$2,000,000 B. Incremental rates: i. \$2,000,000 to \$5,000,000 8% ii. \$5,000,000 to \$8,000,000 10% iii. \$8,000,000 and above 12%	<b>Estate Tax</b>  A. Increases exclusion amount for deaths in 2016 to \$5,500,000 B. Incremental rates for 2016 deaths i. \$5,500,000 to \$8,000,000 10% iii. \$8,000,000 and above 12%  C. Estate tax repealed for deaths on or after 1/1/2017.	   FY 17-18 (\$32,845,867)	(\$14,096,027)  FY 18-19 (\$37,094,841)	<p>The Taxation Committee is divided on this item:  <u>6 members</u> recommend adopting this provision.  <u>4 members</u> recommend removing it from the budget and retaining current law  <u>2 members</u> recommend returning to the \$1,000,000 exclusion amount and rate and bracket structure in effect for deaths prior to 1/1/13.  <u>1 member</u> recommends increasing the exclusion amount in 2016 to \$5,500,000 and retaining the estate tax into the future with that exclusion amount.</p>

**TREE GROWTH TAX LAW**

<sup>3</sup> General Fund impact (unless otherwise noted). Parentheses indicate loss of revenue. Lack of parentheses indicates GF revenue gain.  
 OFPR/jsj

Part	Current law	Budget proposal	FY2015-16	FY2016-17	
BB p. 85	<b>Tree growth tax law</b> The Maine tree growth tax law permits eligible forest land used to grow trees for commercial harvesting to be taxed at its current use value rather than its just value. Landowners must apply to the local assessor and must have a forest management and harvest plan prepared and updated every 10 years.	<b>Tree growth tax law</b> Makes changes to the tree growth tax law to implement recommendations of a Maine Forest Service report required by PL 2011, chapter 619 regarding the compliance of forest management and harvest plans and landowner activities.  This Part does the following:	unknown	unknown	The Taxation committee recommends removing this provision from the budget and leaving current law as is. (11-1)
		A. Requires forest management and harvest plan to cover 10 years, and contain more specific information regarding forest usage			
		B. Requires landowners to maintain access to their forest management and harvest			
		C. Requires a sworn statement from a licensed forester that the landowner is following their plan.			
		D. Gives the Maine Forest Service additional compliance authority			
		E. Repeals the Maine Forest Service audit sunset date.			
		F. Authorizes the State Tax Assessor to reduce a municipality's Tree Growth reimbursement for one year if: it does not fulfill compliance obligations			
		G. Provides for a penalty if a landowner found in non-compliance transfers their land from tree growth to open space or farmland program.			

**TAX EXPENDITURES**

Part	Current law	Budget proposal	FY2015-16	FY2016-17	
Part P page 75	<b>Tax expenditures</b> Current law requires the Governor to include in the budget bill a part that asks the Legislature whether it wishes to continue funding each individual tax expenditure provided in the statutes. Tax expenditure means "... state tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability."	<b>Tax expenditures</b> "In accordance with the Maine Revised Statutes, Title 5, section 1666, funding is continued for each individual tax expenditure, as defined in Title 5, section 1666, reported in the budget document submitted to the Legislature by the Governor on January 09, 2015."			The Taxation Committee recommends including this provision in the budget. The Committee notes that for purposes of clarity it might be a good idea to amend the language to indicate that it is "except as otherwise provided in this Act" as some of the provisions on the tax expenditure list in the budget document are being repealed or amended in other Parts of the bill. (10-0)